

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



32  
A8U51

3



United States  
Department of  
Agriculture

Office of  
Governmental  
and Public Affairs

# Major News Releases and Speeches

**September 18-September 25, 1981**

## IN THIS ISSUE:

### **Speeches—**

Remarks prepared for delivery by Secretary of Agriculture  
John R. Block, National Association of State Departments of  
Agriculture, Boston, Mass., Sept. 21, 1981

Remarks prepared for delivery by John R. Block, before the  
American Dietetic Association, Philadelphia, Pa., Sept. 24, 1981

### **Testimony—**

Statement of John W. Bode, Deputy Assistant Secretary for Food  
and Consumer Services Before the Subcommittee on Domestic  
Marketing, Consumer Relations and Nutrition of the House  
Agriculture Committee Sept. 22, 1981

### **News Releases—**

USDA Announces more 1982 Wheat Program Provisions

Ohio Approved to Receive Stallions from CEM-Affected  
Countries

USDA Approves Procedure for Exclusive use of Animal Import  
Center

USDA to Close Five Market News Offices

Six Cattle Herds Destroyed because of Bovine Tuberculosis

USDA's Federal Grain Inspection Service to RIF 77; Demote 45

USDA Revises User Fees for Grain Inspection and Weighing  
Peanut Supply will Increase; Plenty of Fall Fruits, Poultry and  
Pork

USDA Lowers Income Limit for Supplemental Food Program for  
Women, Infants & Children

Zebu Cattle Imported to Boost U.S. Beef Yields

USDA Proposes Fees for Navel Stores Inspection and Testing  
August Consumer Price Index Release Reflects Higher Meat  
Prices

Federal-State Partnership seen as Important to Agriculture's  
Success

USDA Extends Maturity Date on 1980-Crop Corn and Sorghum  
Loans



# Speeches

---

U.S. Department of Agriculture • Office of Governmental and Public Affairs

---

**Remarks prepared for delivery by Secretary of Agriculture John R. Block, National Association of State Departments of Agriculture, Boston, Mass., Sept. 21, 1981.**

Nine months ago, after I had accepted President Reagan's call to serve as his secretary of agriculture, I fully realized I would be facing a number of difficult situations during the first year. I knew that bringing an effective end to the Soviet grain embargo would certainly be a top priority. At the same time, we would have to work on new farm legislation, trim the budget and develop a program to increase the sale of agricultural products abroad.

But I can assure you that never in my wildest dreams did I imagine that a little beady-eyed Mediterranean fruit fly would buzz into my office and plant itself on my desk.

The infestation of the fruit fly is, of course, a very serious matter that has gained attention from around the world. Until a few months ago, many people didn't know much about the Medfly. I would guess that most people didn't even know that such a menace existed.

There was something else that many people didn't know. They didn't realize how important the fruit and vegetable business is to this nation. They didn't realize that it's a multi-billion dollar industry that affects millions of people around the world. Most people were just satisfied that the fruits and vegetables would be on the grocery shelves. But the Medfly situation created a new interest in agriculture and it took a potential disaster to create this interest.

This nation and the world are just beginning to realize what you and I have known all along—that we happen to be working in a very important industry. A lot of people have worked hard over the years to make agriculture what it is today. And each of you—as the agricultural leaders of your states—are playing a major role in that overall effort. Much of the work that we do will not bring the headlines that come with Medflies and embargoes but that does not alter the fact that we have a great responsibility ahead of us.

No doubt you are very aware of the concerns and problems facing farmers and ranchers as we move through the 1980s. You know what has been happening with interest rates. You know what has been happening with inflation and with the markets.

It would be nice to say that we've come up with an immediate cure to all these problems. But we all know that those so-called crash programs are only designed to give a quick lift to the economy. In reality, they have left us worse off than when we started. What we have to remember is that we are trying to undo something that has been going on for a long, long time. When it has taken years—even decades—to get into such an economic mess, then we should not be surprised if it takes more than just a few months to get out.

I'm certain you all know where we are heading on agricultural policy—that we are taking a long-range look at developing a free-market climate. I believe this is the only way we are going to bring long-lasting prosperity to the industry.

I know this is not going to happen overnight. In fact, it is not in the best interest of agriculture to allow it to happen that quickly. We're trying to recover from double digit inflation and skyrocketing interest rates. We're trying to offset the effects of an ill-advised embargo. The farmers did not cause these problems. The culprit was the government. And that's why the government cannot suddenly turn around and say: "You're on your own." It is going to take time to clear the road.

That is one of the reasons why I intend to implement a 15 percent reduced-acreage program for the 1982 wheat crop. And that is why we are taking a close look at other actions that can be taken to encourage the market. Actions like these are in no way an indictment of the free-market principle. Instead, they are a temporary means of absorbing the shock as we withdraw from years of government interference. I am convinced that once we have completed this task, we will have an agriculture that depend on the marketplace.

The real prosperity in agriculture, however, is not going to be made by what happens in Washington, D.C. Likewise, prosperity in agriculture is not going to be created in your state departments. The role of government is to only clear the road. The real responsibility rests with agriculture itself.

I want to compliment all of you in NASDA for the efforts you are making in helping to clear this road. We value the contributions you are making to our grain elevator task force as we seek ways to tackle the problem before it gets out of hand.

The work that you are doing in the area of agricultural exports is also not going unnoticed. I understand that you are intensifying your efforts in the National Trade Show and other export activities.

The issue of farmland preservation is still another area in which your association is making great contributions. Many states have already taken solid steps in seeing that our land base is protected, but I think we realize that action is also needed on the federal level. When the Federal government gives financial support for highways, airports, dams, office buildings and many other projects, we are having a strong influence on farmland conversion. If we are going to be asking the states to shoulder more responsibility, then the federal government better act in a responsible way itself.

I am also aware of the cooperation between NASDA and the U.S. Department of Agriculture as we work on the proposal to permit interstate shipment of meat and poultry products that are inspected in state inspection programs. Senator Lloyd Bentsen of Texas introduced the legislation earlier this year—which you supported. It was this close cooperation between NASDA and USDA that made us successful in revising the language to remove some of the marketing restrictions on meat and poultry firms—especially those smaller firms. Small, state-inspected plants are important to their individual communities, and together they are very important to the national economy.

Of course, I could cite many other areas of NASDA involvement but the point I am trying to make is simple. This administration firmly believes in moving responsibility out of the federal level and into the states and local communities where it belongs.

A good case in point involves our decision in the U.S. Department of Agriculture to return much of the responsibility for school lunches to the local level. I have to admit that I have been dismayed by the critics who say we are removing food from the stomachs of millions of school children. We are simply shifting the responsibility to where it belongs. The critics who suggest that children will sit hungry in their classrooms are really saying that they lack the confidence in the local



school boards. I for one am not ready to pass such an indictment on the capability of citizens to act responsibly towards their own children.

Returning responsibility to the people is the most important part of President Reagan's economic program, because it underscores his sincere belief in the people. The president is doing everything he can to clear the road and return much of this responsibility to you—and he'll do it. The strength and the power to make it work will be up to you.

I am extremely proud of the fact that NASDA has always acted under this theory. You have always accepted the responsibility, because you always knew that's the way it should be. I'm confident that this will continue, and I'm looking forward to a long and friendly relationship with you.

#

**Remarks prepared for delivery by John R. Block, before the  
American Dietetic Association, Philadelphia, Pa., Sept. 24, 1981**

Today I want to bring you up to date on the U.S. Department of Agriculture's role in the field of nutrition. This is a very important area, and it is equally important that we develop a full understanding of the issues at hand.

If I could leave you today with only one message, I would like it to be this: Good nutrition—the health of people all over the world—is important to American agriculture. Likewise, a productive, reliable agriculture is important to our nutritional efforts. I believed this as a farmer and I believe it as the secretary of agriculture.

Look at it this way. Our country's population is growing by 5,000 people each day. The world's population—by nearly 300,000 a day. When we talk about agriculture, we're talking about an endless rise in the number of mouths to be fed. We're talking about an endless rise in the number of people to be taught the basics of good health through nutrition.

The work accomplished in nutrition research and education sends important messages to agriculture. It tells agriculture where to apply its own research in production. Nutritional guidelines are given to



consumers, who in turn let our nation's producers know what and how much to produce. In short, without people like yourselves, agriculture would be existing without a clear direction.

The whole thrust of this administration is to develop a partnership with groups such as yours so that we can move forward and accomplish our goals together. I see the American Dietetic Association playing a vital and integral role in our mission. In the department, we will do our very best to provide technical and research information on food and nutrition. Your role will be to apply the professional expertise needed to maximize its benefits.

I am happy to note that we already have a head start in developing this partnership. The support and understanding that your association has given to our economic recovery program is deeply appreciated.

The U.S. Department of Agriculture has a very strong responsibility to food and human nutrition information, education and research. This is not a responsibility that we are taking lightly. We know that our commitment to meeting this responsibility is meaningless unless it produces results. I believe that the actions we have taken so far give a clear indication of our willingness to fulfill our responsibilities in this partnership.

One of our first actions involved reorganizing the department so that nutrition information programs could be linked in a new agency—the Human Nutrition Information Service. This new agency is placed under the assistant secretary for food and consumer services, Mary Jarratt. This elevation of nutritional information to agency status is a first in federal government.

I am also happy to announce today that the Human Nutrition Information Service is expanding its lending services to make materials available to school districts and individual schools, including school food service personnel. This material will also be available to Head Start and other day care services and to personnel working with Women, Infants and Children Programs, and the Commodity Supplemental Food Program.

Another action that we have taken, which is near finalization, is the development of a comprehensive national nutritional status and monitoring system. This system will do much to provide reliable information upon which to base food, nutrition and health policy.

The National Nutrition Monitoring System is nearing completion. This plan establishes a framework for increased coordination between the Nationwide Food Consumption Survey (conducted by USDA) and the Health and Nutrition Examination Survey (conducted by the U.S. Department of Health and Human Services). Also, it will provide broader population coverage including high risk population groups. There will be data sharing between agencies and more rapid processing of data all along the line.

We also have to move forward in the area of professional education. We have just concluded a 50-state video-teleconference, which featured updates on nutrition research conducted by USDA. Our audience was Extension and Cooperative State Research Service nutritionists. Together with the Department of Health and Human Services, we hope to sponsor a second nationwide teleconference, which is on the subject of infant feeding.

I've given you an idea of some actions we have already taken. One action that we won't be taking is to rescind publication of our Dietary Guidelines. Over seven million copies of this one publication have been distributed to many private and public organizations to use in their nutritional programs. It is an important tool and because of this I have arranged for the Government Printing Office to begin reprinting the publication when current stocks are exhausted. There will be a charge for the publication, as will be the fate of many other government publications. But the main point is that they will be available and we will update them periodically to reflect current scientific knowledge. The guidelines will remain the basis in our nutrition information and education programs.

Just to underscore these points, I wish to announce the publication of the magazine *FOOD II* later this fall. This is the second issue of the series. We know this publication will be a valuable resource for you and your clients. We hope you will find it even more useful than the first *FOOD* book published in 1979.

Of course we all realize that these publications are only as beneficial as the input into them allows. And that input comes from research. This is something that I firmly believe in. The importance of research in all areas of agriculture, from production through consumption, cannot be ignored.

We have combined human nutrition research with other USDA research programs. Working under the same organizational umbrella, all USDA researchers can more easily interact. Human nutrition researchers conduct many of their experiments on animals, using methodologies similar to those employed by other researchers. This paves the way for cooperation.

As we look to the future, I see the age of technology rendering practical applications for our human nutrition research. For example, our Human Nutrition Information Service is developing a computerized dietary analysis program. Input will be programmed into mini-computers and used by dietitians for dietary intake analysis and planning.

These are just some of the ways in which the U.S. Department of Agriculture is trying to develop a partnership approach with concerned and knowledgeable groups such as your association. We want to supply you with information, educational materials and human research data as you meet the challenge of educating and serving the public. And as part of your role in this partnership, I want to invite you to monitor our efforts more closely. If there are areas where you feel we are not fulfilling our part of the partnership, let us know so that we can talk about it. Remember, we all have the same goal.

Along these lines of seeking input, I have established a policy and coordination council, which is currently developing ways to bring grassroots opinions and concerns into the department. This will help us in our internal decision making, assuring communications between agencies with similar goals and functions. It will also give us direction as we participate in the policy councils that advise the president. Dietitians will be a prime source for our policy structure in the food and nutrition area.

USDA's mission is to ensure that there is an adequate, safe, nutritious food supply, available to all Americans regardless of income.

Let's remember that basic nutritional needs will be met only when we have a healthy and prosperous agriculture. An economy with high interest rates, and low returns for both capital and labor, has severe effects on the producers of food. To ensure an adequate food supply, government must first clear the road for a strong economy.

Budgetary pressures aren't going to ease quickly. We've already reduced the 1982 budget by \$35 billion. That won't be enough. Tonight the president will be announcing plans to further reduce the budget. I assure you that efforts to restrain the federal budget will continue until we can get things turned around. Our experience shows that we can't chase away local problems by drowning them in federal dollars.

This administration is attempting to place more responsibility with local units of government and the private sector. It is important to note that the administration is not suggesting that government simply pass off the responsibility—and then wash its hands of the whole matter. Instead, we are looking to develop a cooperative effort with local government and the public. In the area of nutrition education, we are developing programs on a cooperative basis with private entities.

We are completing a cooperative project with the American Red Cross to develop a new consumer course in nutrition. It will be offered in communities across the nation. You will be called upon to assist us in delivering this program through the American Red Cross network. You will be seeing more examples of this cooperation trend in the future.

We are also exploring a variety of cooperative nutrition information programs with private industry. We hope to offer more, not less, professional and public information about food and nutrition in the future.

During the past few months we have seen a new approach to government. President Reagan is returning responsibility to the people. He is offering flexibility for programs to be administered on the local level. It is the most important part of the president's recovery program, because it underscores his sincere belief in the people and the ability of professionals to utilize their expertise at the local level. You, as professionals can provide the strength and the power to help make it all happen. On that basis, I am looking forward to a long and friendly relationship with you.

#

# Testimony

---

U.S. Department of Agriculture • Office of Governmental and Public Affairs

---

## **Statement of John W. Bode, Deputy Assistant Secretary for Food and Consumer Services Before the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition of the House Agriculture Committee Sept. 22, 1981**

### **INTRODUCTION**

I am John W. Bode, deputy assistant secretary for food and consumer services of the U.S. Department of Agriculture. I am pleased to be here today to discuss the issue of fraud and abuse in the issuance of food stamps. This area is a grave concern to this administration and has been a special concern to me since I joined the department.

In my testimony today, I plan to do three things:

1. Provide the sub-committee with a general review of the way food stamps are issued and redeemed;
2. Zero in on, in more detail, the authorization-to-participate (ATP) system and its vulnerabilities. This, as I'm sure you know, is the issuance system used by New York city and many other areas across the country, and
3. Discuss the legislative and regulatory initiatives of the recent past and the future which are aimed at controlling program fraud and abuse.

Before I get into the details, I would like to share some personal observations.

First, one of the difficult problems in this area of management is simply definitional. How much fraud is there in the food stamp program?

This question is continually asked by the media, administrative and political officials. The unfortunate answer is that we simply don't know. We do not deny that fraud exists in the program. The exact quantification of fraud, however, is currently a subjective guess. Various guesses have been developed that range as high as \$1 billion. In truth, the development of these figures is based primarily on quality control reviews conducted by the Food and Nutrition Service (FNS) and relate to food stamp certification errors. Fraud and error, while



both unfortunate in the management of any public program, are nonetheless quite different.

One of the main reasons there is so little quantification of fraud committed in the food stamp program is that it is hard to prove fraud. Fraud is a legal term and represents an intentional perversion of truth for the purpose of obtaining monetary gain. The key term in the definition is intent.

Error, on the other hand, encompasses those instances in which unentitled benefits are obtained as the result of unintentional mistakes on the part of program recipients, program case workers or reviewers.

Abuse, another term often discussed, lies somewhere in between. What one person may view as fraud in the program may simply be another person's perception of abuse. Before the standard deduction, there was nothing illegal about a family with a high gross income qualifying for the program through the use of itemized deductions. However, Congress and many people saw this as an abuse of program eligibility rules and itemized deductions were replaced by a standard in the Food Stamp Act of 1977.

Second, there are few, if any, systems known to man which can not be manipulated by smart but unscrupulous people. In the food stamp program, there is a constant tension between providing benefits to those who are truly in need while still minimizing the possibilities for fraud. The Food Stamp Act of 1977 simplified the program and cut the number of eligible persons. In some other respects, however, it increased program vulnerability. The tension between providing benefits to the needy and protecting program integrity is clearly demonstrated by two major provisions of the 1977 act—expedited service and elimination of the purchase requirement (EPR). It is my view that the previous administration—at least in its early days—tilted toward the side of service to recipients at the expense of good program controls.

It is axiomatic, Mr. Chairman, when programs expand very rapidly in a short period of time, they do so at the expense of control. Witness not only the food stamp program but the SSI program in 1974 and low-income energy assistance programs in the winter of 1980. The need for new controls—to compensate for a new program design and hence new vulnerability to fraud—was not immediately recognized. The New

York city program two years ago is a graphic and, I believe, extreme example of the nature of these new vulnerabilities.

Congress and the previous administration certainly recognized this situation in passing the 1979 and 1980 amendments to the act and in initiating regulatory changes that I will detail later. Moreover, the reconciliation act and, hopefully, reauthorization provisions provide further means of controlling fraud. I think it is worth reemphasizing that no matter how much we work to design a tight, fraud-proof system; no matter how good our audit and investigation efforts are, there will always be the smart person out there who prefers to make money dishonestly rather than honestly. Neither can we let this fact keep us from providing help to those who need it nor can we let it prevent us from continually examining new ways to improve program integrity.

### **The Food Coupon System**

To put this discussion in a general framework, I'd like to briefly remind committee members of the channels through which a food coupon flows. Technically, any place in this system is subject to a breakdown in control. With a carefully constructed financial and accounting system, we should be able to detect failures in the system quickly and target modifications to regain program control.

1. FNS contracts for the printing of coupons, under competitive procurement practices, with two private companies. Both companies, American Bank Note Company and U.S. Bank Note Company, have long years of experience with the printing of negotiable documents and security measures are strictly enforced.

2. States order coupons from FNS and shipments are arranged by us from the printer. Shipment is done either by registered mail or armored car. Coupons become the financial responsibility of the state once they arrive at the ordering point and are signed for.

3. The state issues coupons to certified recipients through systems of their choice. These systems vary somewhat but generally fall into one of four categories:

- a. A manual issuance system in which the recipient comes to a state location and presents an identification card; a master record is checked to determine the legitimacy of the transaction and coupons are issued.



b. A mail issuance system in which a master list is used each month to mail coupons to recipients.

c. An Authorization-to-participate (ATP) system in which a document (ATP) is mailed each month to recipients and they surrender that document and present an ID card to an issuance office to receive coupons.

d. An "on-line" computerized system in which the recipient presents a special, encoded ID card and a computer file is checked, coupons issued and an immediate recording of the issuance made in the computer. This is a relatively new type of system.

4. The next step in the process is that the recipient uses the coupons at a retailer who has been authorized by FNS to accept stamps.

5. The retailer deposits these coupons, as if they were cash, in a bank. While doing so, the retailer also fills out a redemption certificate. That certificate is sent to an FNS computer facility by the bank; the coupons themselves are sent to a Federal Reserve Bank. The bank receives credit from the Federal Reserve Bank as if cash were being deposited. A record of the redemption certificate (RC) is kept by FNS so that patterns of redemption can be investigated.

6. The Federal Reserve Bank verifies the bank's deposit, checks for counterfeit stamps and destroys the coupons. The amounts destroyed are credited against the food stamp account; i.e., our appropriation.

Certainly, there are several points in this process where the food stamp is vulnerable to misuse. Most notably, stamps can be issued to someone who is not entitled to them or they can be negotiated for items other than food. Because the occasion for this testimony was brought about by the television program that focused on the ATP issuance system, I now will concentrate my remarks more specifically on the vulnerabilities of ATP issuance.

### **ATP Issuance**

ATP's are the most common form of food stamp issuance. They are used exclusively by 23 states and partially by an additional 18. Their inception, in the early '70's, was occasioned by the need of areas with growing caseloads to develop systems in which contracted issuance agents e.g., banks, would be used. The ATP allowed states to use multiple agents—a necessity with rising caseloads and also allowed

contracting with private facilities like banks where security over the coupons was available. The master list kind of issuance (still used in smaller, rural areas) simply was not practical as the program expanded to the cities. The rules governing the ATP system have checks and controls throughout the entire process.

Most importantly, states are required to conduct a monthly reconciliation of cashed ATP's against their master listings of those to whom ATP's were issued. This reconciliation is designed to detect unauthorized or duplicate participation.

States must report all ATP's reported lost or stolen while in the mail to the Postal Inspection Service. Instances of fraud can then be investigated and recovery and, prosecution, if necessary, pursued by state or federal agencies. Moreover, states are required to follow up on all instances of duplicate or other unauthorized participation to determine fault and make appropriate claim or other action. In other words, the system requires constant, ongoing checking for problems.

I do not want to minimize the problems New York city has experienced in its ATP system. Clearly the city was not performing this constant checking which reconciliation requires. This made its system more vulnerable at the one point in the process where its own control cannot be imposed—the mail. This is, of course, the point in the system where a state loses the ability to impose checks and balances in its system. In New York city, there was a breakdown in other areas of the system which allowed thefts from the mail to become a particularly difficult problem. The situation was so weak that apparently it did attract criminal elements.

I feel it necessary to point out to the committee that each of the problems described in the television show already had been identified by the Office of the Inspector General (OIG), FNS and the City. In all instances, except the physical act of stealing the ATP from the mails, a solution can be devised to correct the problems.

Over the last two years, FNS, the state of New York and New York city have worked to change the issuance system to correct the breakdown in control mechanisms. A "Rapid Access" reconciliation system was developed. The system provides for a computer check to identify an already cashed ATP before another ATP is issued to a recipient. The system also reduces the time period for cashing ATP's to

prevent recipients from cashing more than one ATP. The number of replacement ATP's issued has been reduced to about one-third of the number issued prior to rapid access implementation.

Even the problem with mail thefts is being addressed with an even better system, Electronic Funds Transfer (EFT), which the city will begin pilot testing Nov. 1. Photo identification regulations to be published shortly will assist the city in the implementation of this new and more sophisticated issuance system. Although FNS believes the city continues to have problems they need to correct, they have worked diligently and are a long way away from the television portrayal of their situation.

I also would like to point out before I leave this subject that when OIG called the New York replacement situation to our attention, we immediately began work to determine the scope of the problem nationwide. Our analysis revealed that New York and Philadelphia had significant problems. Although there were some other areas experiencing a rise in replacement issuance, these two cities accounted for approximately 74 percent of the replacements.

Because we did find some problems in other parts of the country, we initiated corrective action efforts nationwide and moved to strengthen legislative and regulatory controls. However, because of the concentrated nature of the situation, we put our emphasis on new systems in these two areas, "Rapid Access" for New York and a "direct delivery" system in Philadelphia.

The "direct delivery" system requires recipients to pick-up and cash their ATP cards in Philadelphia and Pittsburgh. This system is being extended to the entire state of Pennsylvania and may be adopted in other parts of the country.

Before leaving this topic, I'd like to reiterate that the ATP system can be an effective issuance system for most states if the appropriate checks and balances are implemented. These checks and balances rely heavily on careful control of ATP's while in the states' possession; careful selection and close monitoring of issuance agents; a prompt, accurate reconciliation system and aggressive follow-up with the Postal Service and recipients and others when problems develop.

In New York, the breakdown in controls got so serious that we believe a whole new system (EFT) is what is required. However, in

most parts of the country, we continue to believe that the ATP systems are viable. I also should add that we did spot a couple of places in our own policy that make the system vulnerable. We are moving to correct this situation, and I now will describe those and some other policy shifts in some detail.

### **Recent Congressional and FNS Efforts**

As I mentioned before, increasing attention has been given to developing legislation and regulations that will improve program integrity. Administrator Hoagland made it one of the primary focal points in FNS by directing the institution of several efforts.

1. In June, Mr. Hoagland established a special task force whose mission is to evaluate all the information the agency currently receives on all our programs relative to the amount of fraud, waste and abuse. One of our biggest problems is that we simply don't know enough about the nature of program misuse. Once we have a better picture, aggressive counteractions can be initiated.

2. Shortly, the administrator will be appointing a regulatory review task force. As you know, regulatory review is a process required by the president and the Regulatory Flexibility Act. It prioritizes regulations currently in effect and examines each of them in detail against certain criteria. At the end of the examination, a recommendation is made concerning the future status of the regulation. Action can be recommended to amend or maintain the regulation. Another possibility would be to initiate new legislation so that an outmoded regulation, if required by current statute, can be deleted or changed. State and local agency staff will be asked to participate as members of the group, joining FNS staff in this major project. Similar efforts are in process for our other programs, and I have been encouraged by the preliminary results. Regulation review will require an in-depth analysis of all aspects of rules now in effect, and we see it as a key management effort to improving program integrity.

3. This year, FNS will be devoting considerable attention to state issuance systems to assure that all the necessary control features have been implemented. This review and technical assistance effort, combined with some demonstration project work that is about to get underway, should yield good results.



4. In another action two weeks ago, Attorney General William French Smith announced the formation of a special task force. Our inspector general's staff is taking a major role in that work, along with agents of the FBI and the Postal Inspection Service. A special unit of the Justice Department's criminal division attorneys has been assigned to target those areas which demand immediate attention. And the resulting prosecutions will be handled by U.S. attorneys around the country.

To close my remarks, I'd like to remind the sub-committee of the legislative efforts in which many of you have been involved over the last couple of years that have decreased the program's vulnerability to fraud. I'd also like to take the opportunity to remind you of some actions that still are needed, although many of the legislative changes do not bear directly on issuance systems.

The overall program has been tightened and this makes the issuance phase of the program easier to control.

#### **Completed Legislative Changes**

1. Mandatory collection of Social Security numbers.
2. Elimination of most college students.
3. Wage matching.
4. 75% funding for fraud investigation and prosecution and for computer development.
5. Photo ID Cards.
6. Sanctions against states with high quality control error rates.
7. Increased penalties for those who commit fraud.
8. Retrospective accounting and monthly reporting.

The changes have, in fact, been so numerous that both FNS and the states have had some difficulty keeping up. The full effects of many of those changes have not yet been felt at the local level, i.e., the final photo identification regulations are being published in final form. In addition, to those legislative changes, FNS has initiated several efforts directed at improving program integrity.

1. In cooperation with OIG, we are evaluating the activities of six states that have taken vigorous action in this area. We expect this review to provide information and methods that states and local jurisdictions can use to detect and prosecute food stamp fraud and how

they can effectively use the 75 percent funding provided for such efforts.

2. States were allowed to tighten verification rules in several areas last year.

3. We have a project underway to improve the monitoring of banks.

4. We are finalizing regulations that will tighten the replacement of ATP's and coupons (these will be published in the Federal Register shortly) and will be removing most wholesalers from the program.

5. We have strengthened reporting requirements in the areas of replacement ATP's, state prosecutions and fraud investigations.

Even with all of this activity, we have asked the Congress for some additional tools. I would like to remind you of some provisions which have not yet been passed and which we need to move as aggressively as we would like.

1. Authorization to impose liability on states for mail losses;

2. Changes in the expedited service requirements;

3. Changes in the requirements for authorizing retail food stores to accept stamps; and

4. Workfare.

I urge you to move on these and other provisions of the FNS reauthorization as soon as possible so that FNS can pursue the implementation in the field of these vital changes.

In conclusion; I'd like to restate USDA's determination to control fraud in the food stamp program and direct its benefits to those in need.

As Secretary Block said last week ". . . The food stamp program provides vital assistance to the poor of this nation, and we are determined to direct that help to the people who it is intended for and keep it out of the hands of criminal elements. Let there be no mistake about it. We mean to go after food stamp violators with all the resources available to us. You've seen a significant increase in anti-fraud activities at both federal and state levels in recent months. And you're going to see a lot more. With this stepped-up attack, we expect to get significant results. . ."

#

# News Releases

---

U.S. Department of Agriculture • Office of Governmental and Public Affairs

---

## USDA ANNOUNCES MORE 1982 WHEAT PROGRAM PROVISIONS

WASHINGTON, Sept. 21—Secretary of Agriculture John R. Block today outlined the U.S. Department of Agriculture's reduced acreage and conservation plans for the 1982 wheat crop. Block said these decisions are contingent on the U.S. Congress passing a new farm bill which authorizes the actions.

Block said farmers who wish to become eligible for price support loans, target price protection and the farmer-owned reserve program must comply with all reduced-acreage requirements. There will be no payments for reduced plantings, Block said.

Block said participating farmers must reduce their acreage of wheat planted for harvest by at least 15 percent from their established wheat acreage base. The base will be the 1981 planted wheat acreage adjusted in cases where there is a regular crop rotation for wheat, he said.

Secondly, farmers must devote to conservation uses an area equal to 17.65 percent of their 1982 wheat acreage planted for harvest (planted 1982 wheat acreage x 17.65 percent equals acreage devoted to conservation uses).

For example, Block said, a farmer with a 1981 planted acreage of 100 acres must plant no more than 85 acres of wheat for 1982 harvest to become eligible for the program. The 15 acres reduced (17.65 percent of 85 acres) must be devoted to a conservation use. If the farmer planted fewer than the allowed 85 of wheat acres, he or she would be permitted to devote fewer acres to a conservation use. For example, if this farmer planted only 50 acres of wheat, he or she could devote only 8.8 acres to conservation uses (17.65 percent of 50 acres).

The land taken from production and devoted to conservation uses must be eligible cropland, must be protected from wind and water erosion and may not be mechanically harvested. However, farmers will be permitted to graze this acreage except during the six principal growing months.

Farmers participating in the reduced acreage program on one farm



must assure USDA that they are not exceeding the 1981 wheat base on any other farms they own or operate.

Farmers are not required to participate in the wheat program to qualify for program benefits on other crops grown on the farm, Block said.

#

## **OHIO APPROVED TO RECEIVE STALLIONS FROM CEM-AFFECTED COUNTRIES**

WASHINGTON, Sept. 21—Horsemen and women in Ohio can now import stallions from countries infected with contagious equine metritis, a venereal disease of horses.

The U.S. Department of Agriculture has added Ohio to the list of eight other states that are now authorized to import stallions from infected countries. These states are required to have adequate laws and regulations to prevent spread of the disease, according to Dr. David Herrick, a staff veterinarian with USDA's Animal and Plant Health Inspection Service.

These rules are in addition to USDA-required testing and inspection in the nation of origin and at the U.S. port of entry animal import center, Herrick said.

Other approved states are California, Colorado, Kentucky, Maryland, North Carolina, South Carolina, Texas and Virginia.

Contagious equine metritis has been spread by international shipment of infected breeding horses since it was discovered in 1977. The only cases diagnosed in the United States have been in Kentucky and Missouri. Nations considered infected are Australia, Austria, Belgium, Denmark, Federal Republic of Germany, France, Ireland, Italy, Japan and the United Kingdom.

Contagious equine metritis is a highly transmissible venereal disease of horses that infects mares, causing them to fail to conceive. The stallion is a carrier, but can be treated by cleaning and disinfecting the genitals, using specific antibiotics.

Notice of this action is scheduled to be published in the Sept. 21 Federal Register.

Public comments may be sent by Nov. 20 to the deputy administrator for veterinary services, APHIS, USDA, 6505 Belcrest Rd., Hyattsville, Md., 20782.

#

## **USDA APPROVES PROCEDURE FOR EXCLUSIVE USE OF ANIMAL IMPORT CENTER**

WASHINGTON, Sept. 21—U.S. Department of Agriculture officials today outlined a procedure whereby a single importer could have exclusive use of the Harry S. Truman Animal Import Center at Key West, Fla., for importing and quarantining a cattle shipment.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said exclusive use for at least 50 head of cattle would be granted only when fewer than 50 quarantine spaces are requested by importers under the regular lottery method of allocation.

"Some importers have said they would like to import a shipment of cattle through the Truman Animal Import Center, but they did not want to mingle them with cattle being brought in by other owners," Atwell said.

"We can handle up to 400 cattle at the center for the required quarantine," Atwell said. "However, it is not economical to operate the center with fewer than 50; and sometimes we may not receive that many applications when a lottery is announced.

"Exclusive use would permit us to keep the animal import center operating, and at the same time meet the request of any large-scale importer."

Under the new procedure, importers would be invited to apply for exclusive use at the time a lottery is announced. If the minimum number of spaces is not used under the lottery system, APHIS officials would authorize exclusive use on a first come, first served basis. If the importer who submitted the first application declines or is found ineligible, USDA would offer the second applicant exclusive use.

Persons wishing to import cattle through the Truman center are required to deposit \$1,000 per head with their application, and, if

accepted, they must then arrange for payment of health processing and quarantine costs.

The Truman import center was established on an offshore island at the tip of the Florida Keys to provide a safe method for importing cattle from countries affected with foot-and-mouth disease. These cattle would otherwise be ineligible for direct importation into the United States.

Cattle are brought to the center in single lots, although they may be owned by a number of importers. They are quarantined on an "all-in, all-out" basis, which means that any indication of foot-and-mouth disease or certain other diseases in any animal will disqualify the entire lot.

The cattle are pre-tested under APHIS supervision at a pre-export isolation facility in the country of origin before shipment to the Truman Center.

Notice of the new procedure is scheduled to be published in the Sept. 22 Federal Register. Public comments will be accepted until Nov. 23. Comments should be submitted to the deputy administrator for veterinary service, APHIS, USDA, 6505 Belcrest Rd., Hyattsville, Md. 20782.

#

## **USDA TO CLOSE FIVE MARKET NEWS OFFICES**

WASHINGTON, Sept. 21—Five U.S. Department of Agriculture fruit and vegetable market news offices in Houston, Cleveland, Louisville, Ky., Minneapolis, and Kansas City, Mo., will be closed Nov. 1 to save funds.

The five offices report price, supply and demand on fruits and vegetables, said Mildred Thymian, administrator of USDA's Agricultural Marketing Service. All offices are located at terminal markets.

Thymian said the closings, effective Nov. 1, are necessary to operate within the Agricultural Marketing Service's budget allotments.

Twenty-two employees already have been informally notified that their jobs will be abolished, Thymian said.

Federal financial participation at a market news office in Miami, Fla., operated by Florida state employees, will also be withdrawn, Thymian said. The state could continue to operate that office, but is not expected to do so in the absence of federal participation.

She said other efforts to conserve funds include a cutback in honey market news information, reducing clerical help in 16 offices, and reducing coverage of a report on fruit and vegetable unloads from 41 to 22 cities.

#

## **SIX CATTLE HERDS DESTROYED BECAUSE OF BOVINE TUBERCULOSIS**

WASHINGTON, Sept. 21—Six cattle herds that were infected with or exposed to bovine tuberculosis have been destroyed after the disease was found by U.S. Department of Agriculture veterinarians.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said three herds were in Alabama, two in Puerto Rico and one in Hawaii.

"Three Montgomery County, Ala., herds were slaughtered after infection was confirmed in one," he said. "The other two herds were considered exposed because their cattle had intermingled with the first herd.

"The largest herd, about 700 cattle, was located when a meat inspector reported lesions in the carcass of a cow that had been sent to slaughter. The USDA followed up by testing the herd, making post mortem examination of seven reactors, and culturing tissues at APHIS's National Veterinary Services Laboratories, Ames, Iowa."

In this and other cases, slaughter of the entire herd is authorized when the laboratory isolates the causative bacterium, *Mycobacterium bovis*. Federal and state indemnities are paid to the owners to help compensate for the loss.

"The second Alabama herd, with 400 animals, had formerly been part of the first when the two owners were partners," Atwell said. "The third herd, with 200 head, was linked to the first because of a common

border, intermingled grazing and breeding by a bull from the larger herd.

"In Puerto Rico, we found infection in one herd at Coamo after a meat inspector reported lesions resembling tuberculosis in a slaughtered cow. By tracing the ownership of the cow back to the herd of origin, USDA veterinarians located the herd and tuberculin tested its 57 animals. Twelve animals showed positive reactions and were destroyed. On post mortem examination, seven of the twelve had lesions, and we confirmed bovine tuberculosis at our lab in Iowa," Atwell said.

A second Puerto Rican herd, at Naguabo, was found through surveillance testing by USDA veterinarians. This 255-head herd had previously been released from quarantine, and was being tested as a precaution. Two animals showed positive reactions to tuberculin tests and were destroyed; infection was confirmed through post mortem examination and laboratory culturing of tissues from these animals.

In Hawaii, a 27-head herd was slaughtered on the island of Molokai when USDA veterinarians tested herds adjacent to an earlier bovine tuberculosis outbreak and found two reactors, one with lesions on post mortem examination. Culturing at Ames, Iowa, confirmed the infection.

After cattle are destroyed and removed from a premises because of tuberculosis, the premises are cleaned, disinfected and must remain free of livestock for at least 30 days, Atwell said.

#

## **USDA'S FEDERAL GRAIN INSPECTION SERVICE TO RIF 77; DEMOTE 45**

WASHINGTON, Sept. 23—Under a reorganization of the U.S. Department of Agriculture's Federal Grain Inspection Service, 77 positions will be eliminated and 45 positions will be downgraded in the headquarters staff and changes will be made later in the field office structure.

Kenneth A. Gilles, administrator of the agency, said the remainder of the 139 people in the headquarters staff will receive lateral reassignments, and that the effective date is Oct. 3. All personnel



involved in this first phase of the reorganization have been notified, he said.

"This new slimmed-down structure for USDA's Federal Grain Inspection Service emphasizes the service aspects of the agency's operations," Gilles said.

"This reorganization is in keeping with the department goals to increase efficiency, hold down costs and make government more responsive to the needs of the public it serves," he said.

"The Federal Grain Inspection Service was created by the Congress in 1976, from the grain division of the Agricultural Marketing Service which was responsible for the Grain Standards Act of 1916. It performs a public service—to facilitate domestic and international trade in grains and related commodities.

"The agency structure devised in the beginning has served its purpose, and the time has come to reexamine the priorities of the agency.

"With reduced allocations and greater dependence on user fees expected in the coming years, it is time to streamline our activities and increase the efficiency of the work this agency does," said Gilles.

Highlights of the restructured organization are:

- Elimination of two assistant deputy administrators and five regional field offices;

- Combining the present weighing and inspection divisions into a new field management division, with responsibility for supervising the FGIS field offices throughout the country;

- Combining several management support staffs into a new resources management division;

- Maintaining the present standardization division, located in Kansas City but part of the headquarters operation, and compliance division; and

- Transfer of major management support functions to a new staff which will provide service to three other USDA agencies in addition to FGIS.

Appointments to the new positions will be announced later.

#

## USDA REVISES USER FEES FOR GRAIN INSPECTION AND WEIGHING

WASHINGTON, Sept. 23—The U.S. Department of Agriculture today announced revised user fees effective Oct. 1, for services provided under the U.S. Grain Standards Act.

Kenneth A. Gilles, administrator of USDA's Federal Grain Inspection Service, said the major changes involve fees which USDA will charge delegated states and designated official agencies for supervising their work.

"We are continuing to study ways to cut costs for supervising the work of states that perform official inspection and weighing services at export locations and the private agencies that provide official services at interior locations," Gilles said. "The changes announced today were first published Aug. 25 and come as a result of public meetings held in early September and our reevaluation of the fees needed to perform the services in light of reductions."

The fees for supervising delegated states and official agencies in making official grade and factor determinations will now be \$1 per truck or trailer, down from the \$2 that was announced Aug. 25; \$2.40 per boxcar, down from \$2.45; \$2.60 per hopper car, down from \$2.70; 75 cents for warehouseman's sample-lot inspection service, submitted sample inspection service and reinspections, down from \$1.55; \$15.75 per barge, up from \$8.70; and \$125 per ship, up from \$79.50.

Fees for supervising the work of states and official agencies are required by the Omnibus Budget Reconciliation Act of 1981, which amended the U.S. Grain Standards Act. The legislation also requires USDA to collect fees to recover the costs of providing official inspection and weighing services by its own employees, including related administrative and supervisory costs.

Currently, only direct labor and related costs of official inspection and weighing are covered by fees. Administrative and supervisory costs are paid from appropriated funds.

Gilles said USDA will monitor costs and revenues and periodically adjust its fees to keep them at the lowest level needed to carry out an effective program under the new legislation.

The revised fees will be published in the Sept. 23 Federal Register. Written comments may be submitted in duplicate on or before Oct. 26,



to the issuance and coordination staff, rm. 1127 Auditors bldg., FGIS, USDA, Washington, D.C. 20250. Phone: (202) 447-3910. Comments will be available for public inspection.

#

## **PEANUT SUPPLY WILL INCREASE; PLENTY OF FALL FRUITS, POULTRY AND PORK**

WASHINGTON, Sept. 23—There should be more peanuts for munching and more peanut butter for spreading during October. There'll also be lots of fresh apples, grapes, Bartlett pears, sweet potatoes, oranges, lemons, turkey, broilers and pork, according to U.S. Department of Agriculture marketing specialists.

The marketing specialists say this year's peanut crop is expected to be 67 percent above the 1980 drought-stricken crop and about 3 percent below the record-high 1979 crop. By the end of October, peanuts will be in adequate supply—enough to meet needs—instead of in light supply, as they have been for several months.

The new apple crop is forecast at 192 million 42-pound boxes, 8 percent less than last season's record-breaking crop and 1 percent less than the 1979-80 season crop.

Apple varieties that will be seen in stores range from the popular red Delicious varieties, which account for 40 percent of the total crop, to a fairly new variety on the American scene—the Granny Smith. This apple, which originated in Australia, is green in color and slightly tart.

October should be a good time to buy turkeys, according to the marketing specialists. Cold storage holdings at the beginning of the month are expected to set a record—18 to 22 percent larger than a year earlier. Storage holdings will account for most of the increase in total turkey supplies, which will likely be 12 to 16 percent above a year earlier and 7 to 11 percent larger than the 1978-80 average for October. Weekly production in October is expected to average 2 to 6 percent above a year earlier.

While poultry and pork will be plentiful, beef will continue in adequate supply during October. However, weekly beef output during

the month will average slightly above a year earlier—about equal to the 1978-80 average for October.

Other products expected in the "plentiful" category includes eggs, milk and dairy products, rice, dry beans and dried prunes. Look for adequate supplies of potatoes, canned and frozen fruits and vegetables, and citrus juices.

Fresh grapefruit is in the "light" category, but supplies should increase as the month progresses.

#

## **USDA LOWERS INCOME LIMIT FOR SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS & CHILDREN**

WASHINGTON, Sept. 23—New U.S. Department of Agriculture income eligibility guidelines issued today will lower the maximum income limit of people receiving benefits under the Special Supplemental Food Program for Women, Infants and Children.

According to Assistant Secretary of Agriculture Mary C. Jarratt, the new rules will set the maximum income limit at 185 percent of the official poverty line instead of the previous 195 percent of poverty, plus a standard deduction.

"The change will allow more of those at the lower end of the income scale to participate, by removing from eligibility some people at the higher income limit," Jarratt said. "It is a matter of targeting benefits so those in greatest need can be served."

States may set their own income cutoff limits anywhere between the new federal guidelines and their own limit for free or reduced-price health care. However, income limits may not be set lower than the poverty line.

To qualify for participation in the program under the new federal limits, the annual income for a family of four may not exceed \$15,630, or 185 percent of the poverty line.

Previously, the same family was eligible for the program with an income, plus a standard deduction, that totaled \$17,560.

About 2.2 million participants now receive nutrition education and

health benefits from the program, which is administered nationally by USDA's Food and Nutrition Service.

The program provides supplemental foods and nutrition education to pregnant and breastfeeding women and infants and children up to age 5 from families with an inadequate income who are at nutritional risk, Jarratt said.

The new rule implements a provision of the Omnibus Budget Reconciliation Act of 1981.

The program is operated in cooperation with 50 states, the District of Columbia, the Virgin Islands, Puerto Rico and 29 Indian agencies. USDA provides cash grants for the program to state health departments, which in turn distribute funds to participating local agencies to provide the supplemental foods to program participants and for specified administrative costs, including those for nutrition education.

Three categories of food packages are issued each month. Each package costs USDA about \$28 per month. Regulations specify the maximum quantities and types of foods provided. The foods include infant formula, cereal and juice for infants.

Children and pregnant or breastfeeding women may receive milk, cheese, cereal, juice, eggs and dry beans or peanut butter.

Non-breastfeeding, postpartum women may receive milk, cheese, cereal, juice and eggs. There is also a special package for women and children with special dietary needs which includes formula, cereal and juice.

The new income guidelines for all family sizes for the continental U.S., as well as guidelines adjusted for the cost to living for Alaska, Hawaii, and Guam will be published in the Sept. 25 Federal Register.

#

## **ZEBU CATTLE IMPORTED TO BOOST U.S. BEEF YIELDS**

PLUM ISLAND, Long Island, N.Y., Sept. 23—Zebus, a strange looking breed of Indian cattle from Brazil, are coming into this country

under U.S. Department of Agriculture supervision to help boost production of beef.

Veterinarian James A. House of the USDA's Agricultural Research Service said the Zebus resist tick infestation, hot weather and certain diseases. These and other desirable traits often are passed on to their calves when the Zebus are crossed with American cattle.

In this way, private cattle breeders hope to create better domestic breeds and broaden the genetic base available for further improvements.

Zebus have been recognized as a successful breed in Brazil since the early 1900's. U.S. cattle breeders started bringing Zebus into this country about a year ago.

House is stationed at USDA's Plum Island Animal Disease Center, located off the Long Island coast. Zebu blood samples are sent there for analysis as part of the USDA effort to make sure the newcomers do not carry unwanted diseases to the U.S. mainland.

Zebu cattle thrive in tropical and sub-tropical climates. With their darkly pigmented loose hide, thick hair and long horns, they look different from U.S. breeds. They have humped backs and a large fold of skin underneath the neck, called a "dewlap."

Zebus were not available to U.S. breeders because of a law banning cattle imports from countries with infestations of rinderpest, foot-and-mouth disease and other diseases not occurring in the U.S., according to David E. Herrick of the Import-Export Staff of USDA's Animal and Plant Health Inspection Service.

Rinderpest causes high fever and inflammation of the digestive tract and a high death rate in cattle. Foot-and-mouth diseases causes blisters and sloughing in the mouth and nose and on the feet of cattle, sheep, goats and swine, resulting in major economic losses.

Breeding stock of the Zebu that have been brought into this country are under 11 months old and first were quarantined for 60 days on the Brazilian ranches where they were selected. After that, a battery of 17 tests were performed by Plum Island scientists to determine whether the animals had been exposed to a specific list of diseases.

Cattle passing these tests were transported to Canaëia Quarantine Station located a mile off Brazil's mainland. There, they were tested again. Those that passed were shipped to the Harry S. Truman Animal

Import Center, located on an island off Key West, Fla., where they remained under strict quarantine for more tests for about 150 days.

At this center, cattle and swine of U.S. origin—called "sentinels"—were moved in with the Zebus. The sentinels were inoculated with saliva samples from the Zebu to learn whether the Zebus were carriers of foot-and-mouth disease.

After passing the final tests, the Zebus were released to the U.S. mainland. Of the 744 animals selected in Brazil, 141 were imported into the U.S. in two shipments. The entire quarantine procedure took 8 months for each shipment.

"This importation system was based on extensive sequential testing of the animals to prevent importation of exotic animal diseases," said House. "Furthermore, this system can be modified to facilitate the importation of animals from other parts of the world."

#

## **USDA PROPOSES FEES FOR NAVAL STORES INSPECTION AND TESTING**

WASHINGTON, Sept. 24—The U.S. Department of Agriculture will accept comments until Sept. 30 on proposed user fees for inspecting and testing naval stores. User fees for these services are required by the Omnibus Reconciliation Act of 1981.

Paul T. Donovan, an official with USDA's Agricultural Marketing Service, said USDA inspection and testing services for naval stores—rosin and turpentine—have been provided at minimal charge since 1923 because supervisory and administrative costs of the program were funded by congressional appropriation. Starting Oct. 1, all costs of the services will be covered by fees.

The proposed fee schedule covers charges for establishment of standards, examinations, analyses, classifications and other services.

Donovan said the fees will be collected by USDA.

Details of the fee schedule will be published in the Sept. 24 Federal Register. Comments may be sent to Paul T. Donovan, Tobacco Division, AMS, USDA, Rm. 502-Annex, Washington, D.C. 20250; phone: (202) 447-2097, where anyone may review them.



Copies of the proposal may be obtained from the AMS Tobacco Division at the same address.

#

## **AUGUST CONSUMER PRICE INDEX RELEASE REFLECTS HIGHER MEAT PRICES**

WASHINGTON, Sept. 24—Higher retail meat prices last month were the main cause of the 0.4 percent rise—before seasonal adjustment—in the consumer price index (CPI) for food in August, Assistant Secretary of Agriculture William Leshner said today.

"The August increase in food prices brought the food CPI to a level 7.2 percent higher than a year earlier," Leshner said, "continuing the pattern of food prices rising less than prices for nonfood items."

Leshner said he expects this year's rise in retail food prices to be about 8 percent, thereby moderating the general inflation rate. This compares to last year's 8.6-percent increase and would be the sixth time in the last seven years that food prices have risen less than prices for nonfood goods and services. Food marketing costs will account for about two-thirds of this year's food price increase. About one-fourth will be attributed to a higher farm value of foods. The remainder will be due to higher costs for imported foods and fish.

The U.S. Department of Labor's Bureau of Labor Statistics released the August consumer price index earlier today.

"Food prices at grocery stores rose 0.4 percent as did prices for meals purchased away from home," Leshner said. "Meat prices increased 0.9 percent in July, led by a 1.6 percent rise in pork prices. This reflected lower hog slaughter in July."

Regarding prices for other foods, higher marketing costs offset a lower farm value for cereals and bakery products, pushing prices for these foods up 0.1 percent, Leshner said. Declining supplies of apples from cold storage and lower California orange production pushed fresh fruit prices up 5.1 percent.

Lower potato prices offset higher prices for lettuce and tomatoes, pushing the CPI for fresh vegetables down 3.5 percent. Dairy products prices fell 0.2 percent as continued large milk production offset rising

marketing costs. The CPI for fats and oils rose only 0.2 percent, reflecting large supplies.

Seasonal increases in supplies of meats and other foodstuffs will dampen retail food price rises in the fourth quarter, he said. Meat price increases will be smaller than in the third quarter as production of red meats and poultry rises. Supplies of fruits and vegetables will be larger, lowering prices.

A recovery in this fall's peanut production (estimated to be 67 percent higher than the drought-reduced 1980 crop) should lead to reduced prices for peanut butter and slow the rate of increase in the CPI for fats and oils. Prices for dairy products will increase this fall due to a seasonal decline in milk production.

Large domestic and global grain production this year will make livestock feeding less costly. This will likely cause larger meat production than otherwise. This will have a moderating effect on food prices over the next year.

#### August Retail Food Prices, Percent Changes for Selected Items

Items	July to August 1981		
	Not seasonally adjusted	Seasonally adjusted Percent Change	August 1980 to August 1981
All food	0.4	0.8	7.2
Food away from home	.4	.5	9.0
Food at home	.4	.9	6.4
Meats	.9	2.0	4.3
Beef and veal	.5	2.2	1.0
Pork	1.6	*	11.0
Poultry	-1.4	.9	2.3
Eggs	2.0	-7.8	-4
Fish and seafood	.0	*	7.5
Dairy products	-.2	-.2	6.1
Fats and oils	.1	.2	11.2
Cereals and bakery prods.	.1	*	9.4
Fruits and vegetables	.6	1.8	10.7



### August Retail Food Prices, Percent Changes for Selected Items Continued

Nonalcoholic beverages	.7	.9	2.6
Sugar and sweets	.4	.9	1.7
Other prepared foods	.6	*	9.8

\* = No seasonally adjusted index available.

#

## FEDERAL-STATE PARTNERSHIP SEEN AS IMPORTANT TO AGRICULTURE'S SUCCESS

HANNIBAL, Mo., Sept. 24—American agriculture's success story is due in large part to excellent research and to the widespread dissemination of the knowledge and techniques learned through research, Anson R. Bertrand, U.S. Department of Agriculture director of science and education, said today.

"Starting in the 19th century—with the Hatch Act of 1887 and several other landmark pieces of legislation—this has been accomplished by a unique partnership arrangement between the U.S. Department of Agriculture, individual state and county governments, and the land grant colleges and experiment stations," he said.

Speaking here at the dedication of a memorial to William Henry Hatch, sponsor of the legislation which authorized a national system of state experiment stations, Bertrand said we cannot be content with our past successes nor wait for the future promises of great scientific breakthroughs in agricultural research.

"We must deal here and now with the urgent problem needs on the agricultural front," he said. He identified the priorities as increasing productivity, conserving national resources and increasing agricultural exports.

"On all of these fronts, our federal-state partnership has an important role to play. Many of us firmly believe that our agricultural productivity is closely tied to the level of our research and education efforts. And we are concerned about how to sustain that productivity in the face of escalating costs, budget constraints and the diminishing capacity of our natural resources.

"We of course look to research and extension for the answers. One thing has not changed since Colonel Hatch's time. The future of American agriculture depends upon the strength of our federal-state partnership," Bertrand said. This partnership includes USDA research and education agencies; a nationwide system of state experiment stations, most of them located at the state land grant universities; and the cooperative extension system—the largest offcampus education system in the world. With this mighty national-state-local extension organization, we can transfer technology to users in a manner undreamed of in other countries.

Bertrand also said:

"We have many challenges ahead for our research and education system if we are to take care of the burgeoning food and fiber needs of our country, and those of many other countries as well. But the preservation of our natural resources must come first or there is no point in discussing increasing production, improving productivity or scientific breakthroughs in agricultural science...there will be no base to work from.

"The list of research and education needs is formidable. But in the federal-state partnership in agricultural research and education, we have a great system for taking on such challenges.

"We can enlarge upon the tribute being paid to Colonel Hatch today by actions we take to build upon, improve and expand that federal-state system—and to thereby forge a more productive, more profitable and more stable American agriculture."

#

## **USDA EXTENDS MATURITY DATE ON 1980-CROP CORN AND SORGHUM LOANS**

WASHINGTON, Sept. 24—Secretary of Agriculture John R. Block announced today that 1980-crop corn and sorghum loans maturing in September or October can be extended for two months at the option of the producer.

Loans maturing on Sept. 30, will be extended to Nov. 30, and loans maturing Oct. 31, be extended to Dec. 31, if requested by the producer.

At the option of the producer the extension is also available for 1980-crop corn and sorghum loans with an original maturity date of Aug. 31, that were previously extended to Sept. 30. These loans will now be extended to Nov. 30, if the producer requests an extension.

Block said this action will provide producers an opportunity to delay the decision to repay or forfeit their loans until after harvest of the 1981 crop. The prospect of a record corn crop has depressed the current market price.

Block said the action is also consistent with the USDA's move towards a more market-oriented farm policy.

Producers should contact their county ASCS office for further information on extending their loans.

#

U.S. DEPT. OF AGRICULTURAL  
NATIONAL AGRICULTURAL LIBRARY  
RECEIVED

NOV 06 1981

PROCUREMENT SECTION  
CURRENT SERIAL RECORDS